

24 January 1975

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MEMORANDUM FOR: Coordination Staff/ICS

SUBJECT : Ken Dam's Murphy Commission Paper on
Economic Intelligence

1. Professor Dam well knows whereof he speaks. Prior to returning to the University of Chicago Law School he was Associate Director of OMB for National Security and International Affairs, and then Executive Director of the Council on Economic Policy. In the latter role he also served as Chairman of the Requirements Advisory Board, which is now being reconstituted as the Economic Intelligence Subcommittee (EIS) of the NSCIC. Accordingly, I am not surprised that of the several Murphy Commission papers I have seen on the subject this one is by far the most informed, thoughtful, lucid, and hence useful.

2. Dam properly notes that analytic competition is desirable, that the White House needs independent, objective, and responsive intelligence support, and that the costs would probably outweigh the benefits of transferring either OER in toto or its functions to another government entity. He, however, overstates the case when he writes, "It is well known that the staff of economists in the CIA is at least equal to the staff of any of the departments" (p.9). All things considered, OER does exceedingly well under pressure. Nonetheless, qualitatively with respect to specific subjects it suffers in comparison with several departmental staffs. Parenthetically, it will be noted that 23.5 per cent of the professionals in State's economic bureau, 22 per cent in Treasury's international affairs office, and 3.9 per cent of OER's are super-grades. The cost involved in rectifying this imbalance probably can not be borne so long as OER remains within the DDI -- the grade structure of that directorate's offices presumably have to be relatively consistent.

3. Dam is quite correct in noting that economic intelligence must focus on intentions, not only on capabilities.

Indeed, his argument is somewhat Andy Marshallian. But his treatment of intentions, does not quite square with his rather simple distinction (in Section II) between economic information and economic intelligence. This, I believe, is the weakest portion of his paper.

4. His most important contribution from our point of view is in raising several strawmen with respect to the organizational location of an analytic economic intelligence effort elsewhere in the US Government, and then proceeding, step by step, to knock them down. If a CIA official were to argue with the same forceful logic he would be suspect as being self-serving.

5. In ~~some~~^{Sam}, then, the Director can:

- express his appreciation to Dam for this vote of confidence;
- assure Dam that his ideas, such as an exchange of methodological papers, will receive a considered hearing; and
- bring Dam up to date with respect to the "transmutation" of the RAB into the EIS (its organizational memorandum is attached for the Director's information).

STATINTL

Attachment: As stated

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